



# **SHOP Exchange Technology Enablement Options**

***March 13, 2012***

# Agenda

---

1. SHOP Overview
2. SHOP Principles
3. Design Options
4. Option Comparisons
5. Timeline and Recommendation

# Overview: Small Business Health Option Plan (SHOP)

---

The Maryland Health Benefit Exchange is responsible for establishing a SHOP Exchange, which includes the following Affordable Care Act (ACA) required functions:

- Certify small group qualified health plans (QHPs) on the Exchange
- Provide a marketplace for small groups to purchase coverage via a defined contribution (a.k.a. employee choice) option
- Determine eligibility for tax credits for groups that offer coverage to their employees on the Exchange
- Allow employees to select QHP's from available choices and enroll
- Aggregate small group premiums into a consolidated bill for groups and distribute payments to carriers
- Reconcile enrollment information and employer participation information with QHPs at least monthly
- Verify that individual applicants are identified by the employer as employees that have been offered coverage
- Report to HHS on Exchange enrollment, financial, and operational metrics

# Overview: Major Functions of the SHOP Exchange

---

## On-Line Marketplace

- Qualified Health Plan intake from carriers for plan presentment
- Employer registration, plan design set-up, sales quote comparisons, and selection
- Employer tax subsidy eligibility determination
- Employee registration, QHP selection, and enrollment (i.e. Shopping experience)
- Assist employees in finding individual coverage if employer coverage is not affordable

## Back-Office Administration

- Premium aggregation and billing
- Carrier payment
- On-going eligibility / enrollment management (employee adds, deletes, life changes, etc.)
- Enrollment and funds flow reconciliation

## Financial and Operations Oversight

- QHP certification and carrier management
- QHP user fee collection and management
- Quality control and audits of enrollment and financial transactions through the SHOP
- Accounting & Management Reporting (Financial Statements / Management Reports / Stakeholder Reports / Statutory reporting to Federal Government) (see Appendix B)

## Customer Service

- Call Center / Help Desk

# SHOP Principles

---

SHOP design, implementation, and operations should address the following principles:

- Meets the requirements of the **Affordable Care Act (ACA)** as it pertains to SHOP set-up and management;
- Provides **minimum disruption** to the existing small group health insurance market in Maryland while promoting innovation;
- Leverages the knowledge and expertise of **current market players** (e.g. carriers, benefit administrators, etc.) for key technical and business functions;
- **Minimizes duplicative development effort** among Maryland stakeholder through the development of common service components that can be leveraged equitably by the broadest number of market players;
- Provides a SHOP solution that satisfies the needs of employers, employees, and health plans in an **efficient and consumer-friendly manner**;
- Ensures that operations are **transparent** and managed with **effective oversight** whereby the Exchange and the State of Maryland meet all their management oversight and fiduciary responsibilities to the state's small employer community.

# **General Financial Oversight and Reporting**

## **Accountabilities**

---

### **Federal Financial Reporting**

The Exchange must keep an accurate accounting for all activities, receipts, and expenditures and must submit an annual financial report to the Secretary of HHS.

### **Administrative Costs and Fees**

The Exchange must publish the costs and fees associated with operating the organization, including the average cost of licensing, required regulatory fees and payments to operate the Exchange, Exchange administrative costs, and an accounting of money lost to fraud, waste, and abuse.

### **Federal Audit**

The Exchange will be subject to annual audits by the Secretary of HHS, who may also conduct other periodic reviews and investigations or require additional financial reporting at his or her discretion. If HHS determines that the Exchange or the state has engaged in serious misconduct related to financial integrity, it may impose financial penalties on the state not to exceed 1% of annual federal payments under the authority of HHS (including Medicaid).

### **GAO Oversight**

The Exchange will also be subject to oversight from the Government Accountability Office (GAO), who will conduct an operational and performance measurement review to commence not later than 2018. This review will include an assessment of:

- Exchange operations, administration, and expenditures
- Surveys and reports of qualified health plans
- Claims statistics relating to qualified health plans
- Member complaints
- Utilization and adoption of Exchanges;
- Adequacy of provider networks

# SHOP Financial Oversight and Reporting

## Accountabilities

---

### **Reporting to the Secretary of the Treasury:**

Name and tax ID of each individual who was an employee of an employer but who was determined to be eligible for the premium tax credit because:

1. The employer did not provide minimum essential coverage; or
2. The employer provided such minimum essential coverage but it was determined under to either be
  - A. unaffordable to the employee or
  - B. not provide the required minimum actuarial value; and
3. The name and taxpayer identification number of each individual who notifies the Exchange that they have changed employers and of each individual who ceases coverage under a qualified health plan during a plan year (and the effective date of such cessation);

### **Reporting to Employers:**

Provide to each employer the name of each employee of the employer who ceases coverage under a qualified health plan during a plan year (and the effective date of such cessation);

### **SHOP Data Transmittal**

To enroll qualified employees, the SHOP must ensure employees are notified of the effective date of coverage and transmit enrollment information on behalf of qualified employees to QHP issuers within the established timeline for Employee selection.

### **SHOP Record Retention**

The SHOP must receive and maintain records of enrollment in QHPs, including identification of qualified employers and employees participating in the SHOP.

### **SHOP Monthly Data Reconciliation**

The SHOP must reconcile enrollment information and employer participation information with QHPs at least monthly.

# Online Marketplace (Consumer Shopping) Requirements for SHOP

The ACA introduces new requirements for providing information to consumers for purchasing or enrolling into Qualified Health Plans (QHPs)

- **Employee rating information:** Under the defined contribution (employee choice) model, the employees of a small group may go to multiple carriers within a metal level for coverage. In this scenario, carriers may need to quote those employees as individuals rather than using the group census. This case is still to be defined, however, there is the potential for the SHOP Exchange to require more information about employees than is generally shared today.
- **Summary of Benefits and Coverage:** QHPs must be displayed to consumers according to the SBC format created by the NAIC and mandated by federal regulations. This will include comparative fact labels (representative costs) for certain conditions and episodes such as diabetes or new maternity case.
- **Employer Eligibility for Purchasing on the SHOP:** Until 2017, only employer groups meeting the federal definition of a small group employer may purchase on the Exchange. Rules will be in place for counting part-time and seasonal employees in determining whether an employer qualifies to purchase on the Exchange.
- **Employer Eligibility for Tax Credits:** The SHOP must notify employers if they qualify for tax credit subsidies based on group size (see above), average income, and other conditions. (Note: the IRS will administer the tax credits independent of the Exchange)
- **Quality Ratings:** The SHOP must display plan quality ratings from a federally-approved quality rating source such as the NCQA during the consumer's plan selection shopping experience.
- **Carrier Transparency Information:** The SHOP must collect and display carrier metrics including medical loss ratio information, enrollment statistics by QHP, and other information such as claims denial rates)



# Online Marketplace (Consumer Shopping) Requirements for SHOP (continued)

---

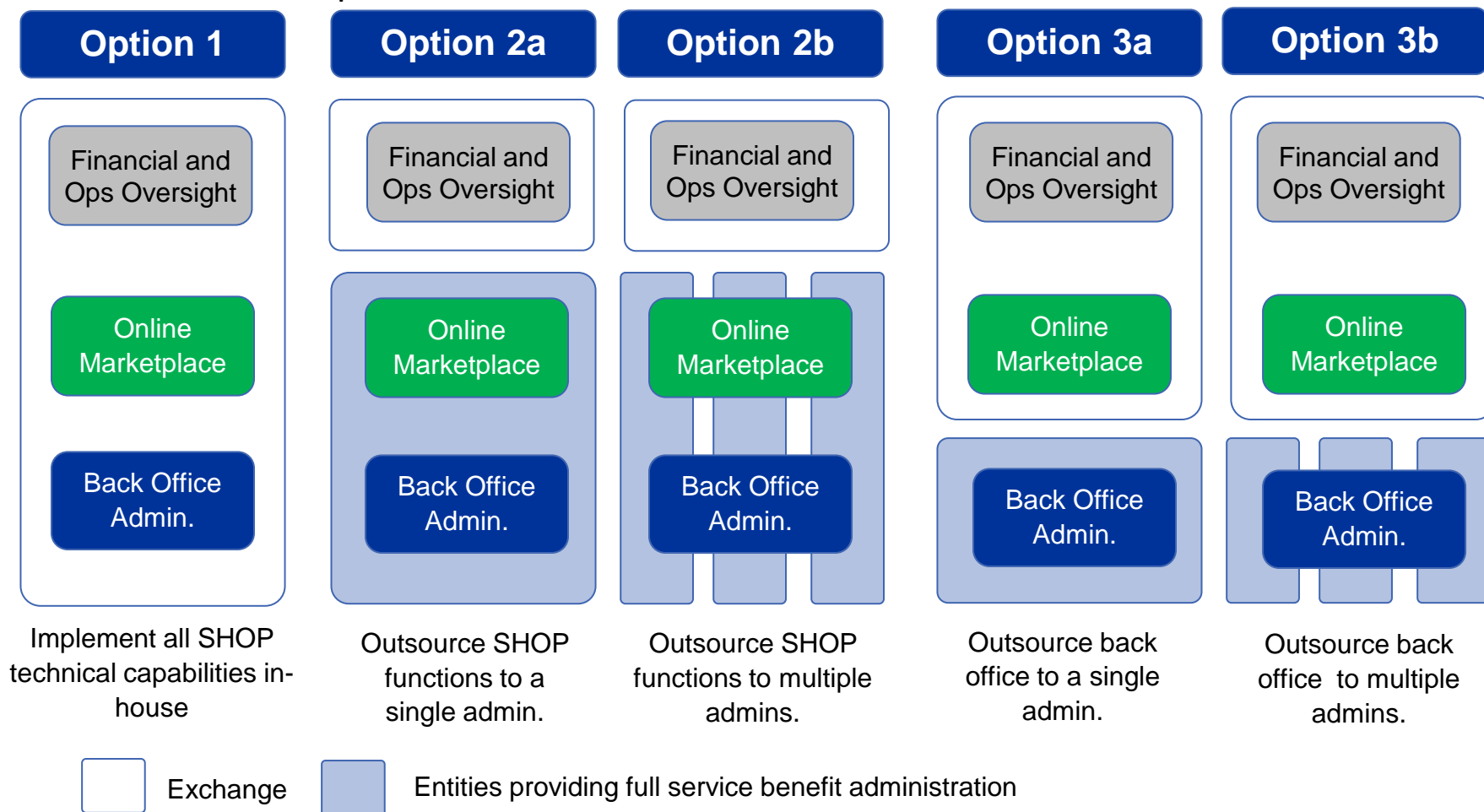
- **Enrollee Satisfaction Survey Results:** The SHOP must collect and display enrollee satisfaction results with QHPs for new consumers to review when making their purchase / enrollment decisions.
- **Provider Availability:** The SHOP must allow consumers select a plan based on whether specific providers are in the plan and whether they are still taking new patients. The SHOP must also ensure that network adequacy standards have been met and whether essential community providers are part of the carrier's network.
- **Notifications of Affordable Coverage:** The SHOP must allow employees to determine if the coverage offered by their employers is considered "affordable" based on their situation and direct that employee to other options including purchasing on the Individual Exchange.

The majority of the data requirements described above will be sent from carriers to the Exchange and MIA for certification review. The Exchange will pass this data to the SHOP technology vendor for the online shopping experience:

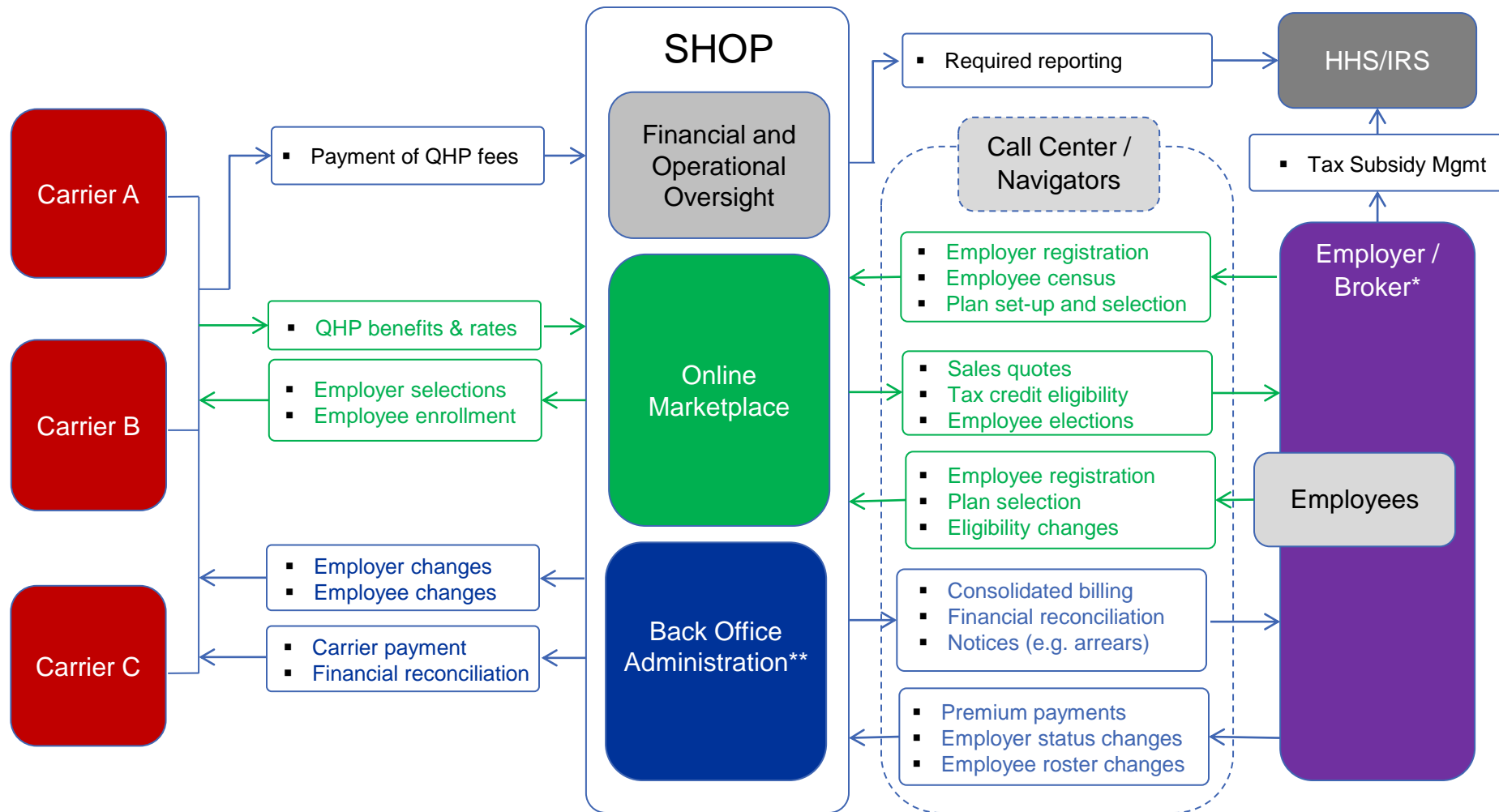
- **Data Exchanges:** The Exchange will develop common standards for acquiring data from carriers and transmitting to SHOP Online Marketplace Vendor
- **Verifications and Corrections:** The Exchange, carriers, and SHOP Online Marketplace Vendor must work together to manage any issues or discrepancies in QHP online information in any of the categories described above
- **Ongoing Management:** The SHOP Online Marketplace Vendor must also develop a process for carriers to provide updates to plan data according to the standards developed by the Exchange

# SHOP Technology Enablement Options

Three high-level options for SHOP technology implementation with variations for contracting with a single or multiple entities providing benefit administration services to the Small Group market



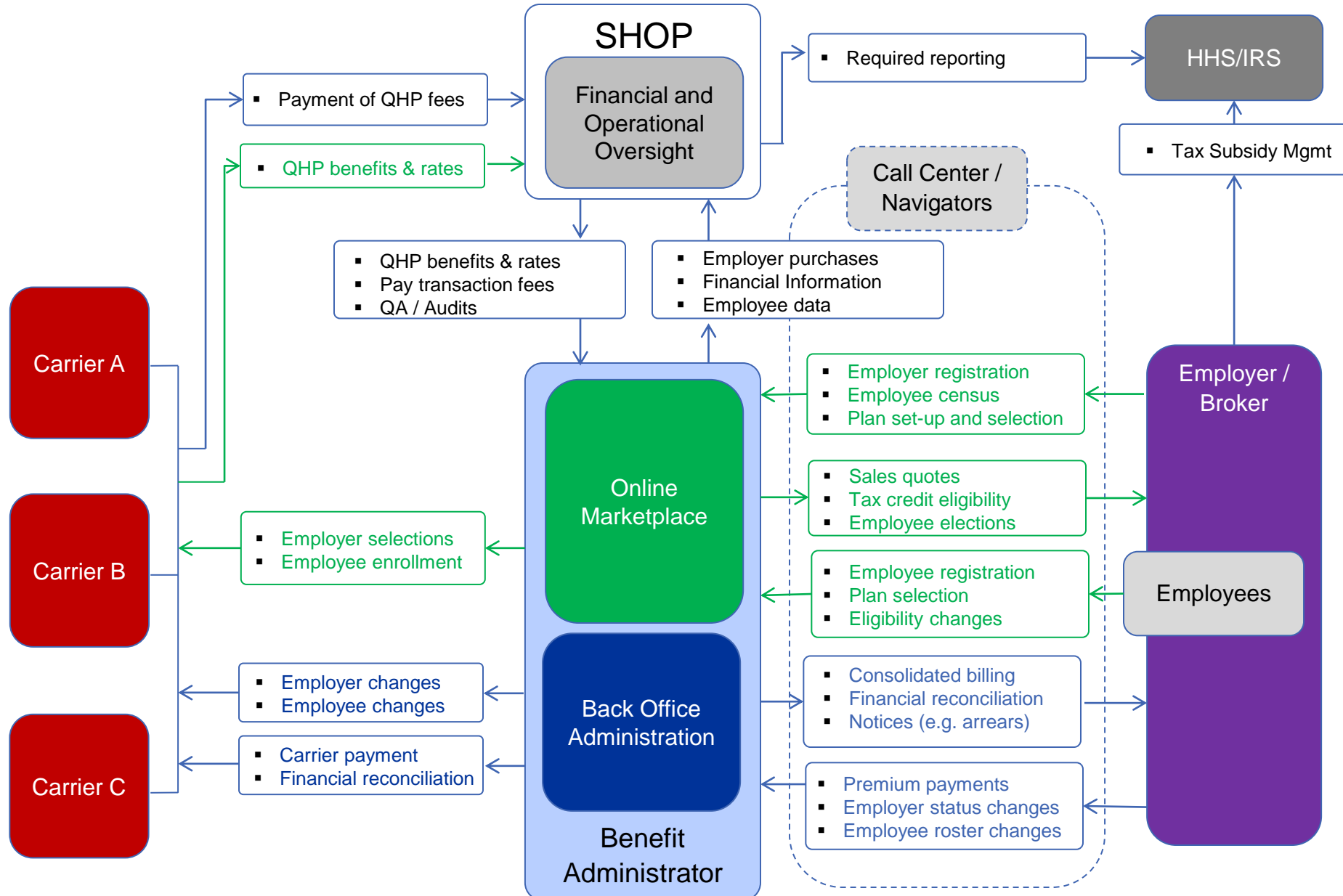
# Option 1: Implement all SHOP Technical Capabilities In-House



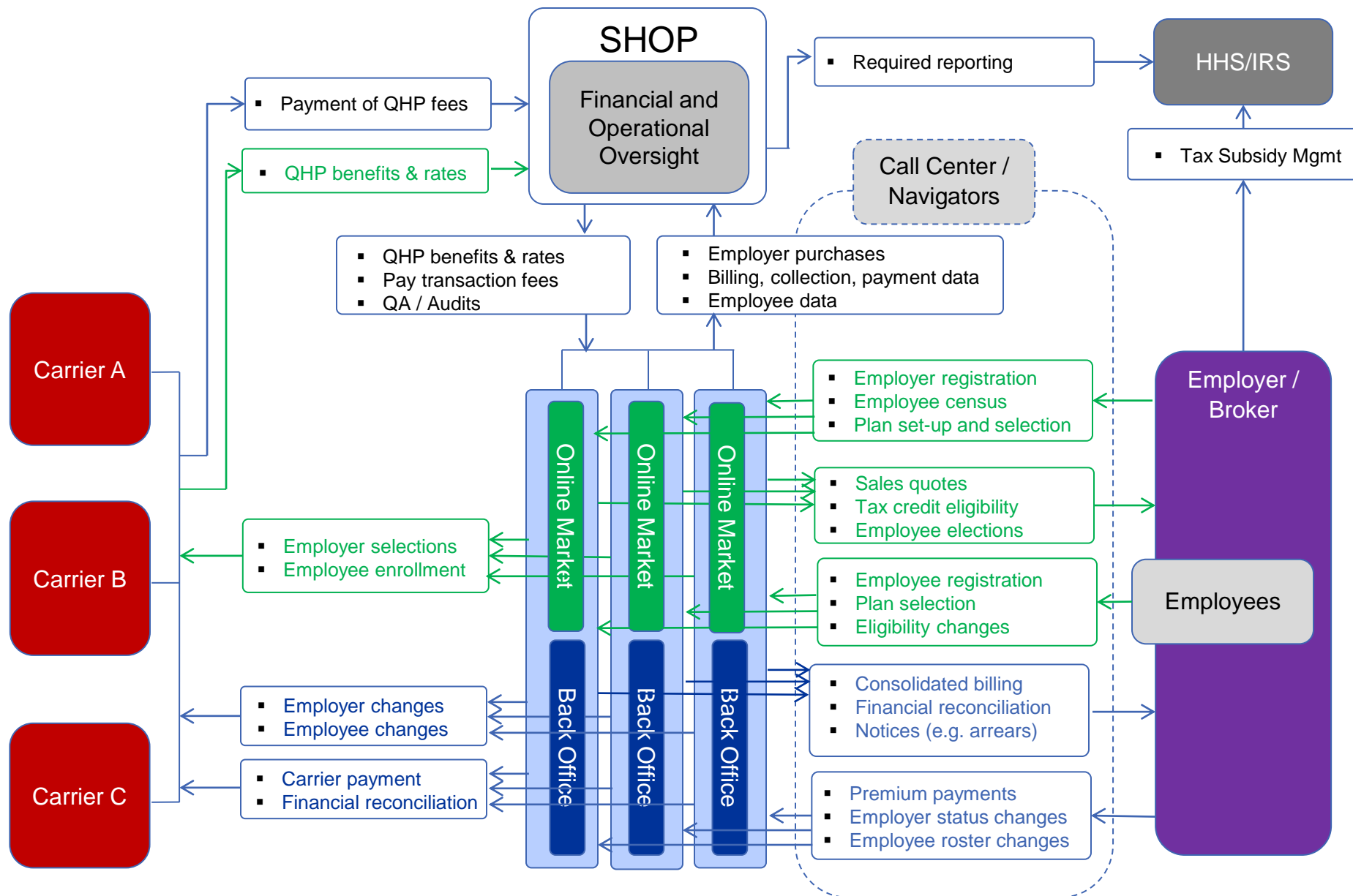
\* The Exchange will allow brokers to act on behalf of employers for employer functions when authorized by the employer

\*\* The Exchange will develop the systems for back office admin in this model but will likely contract with benefit administrators to provide resource to provide financial reconciliation and support

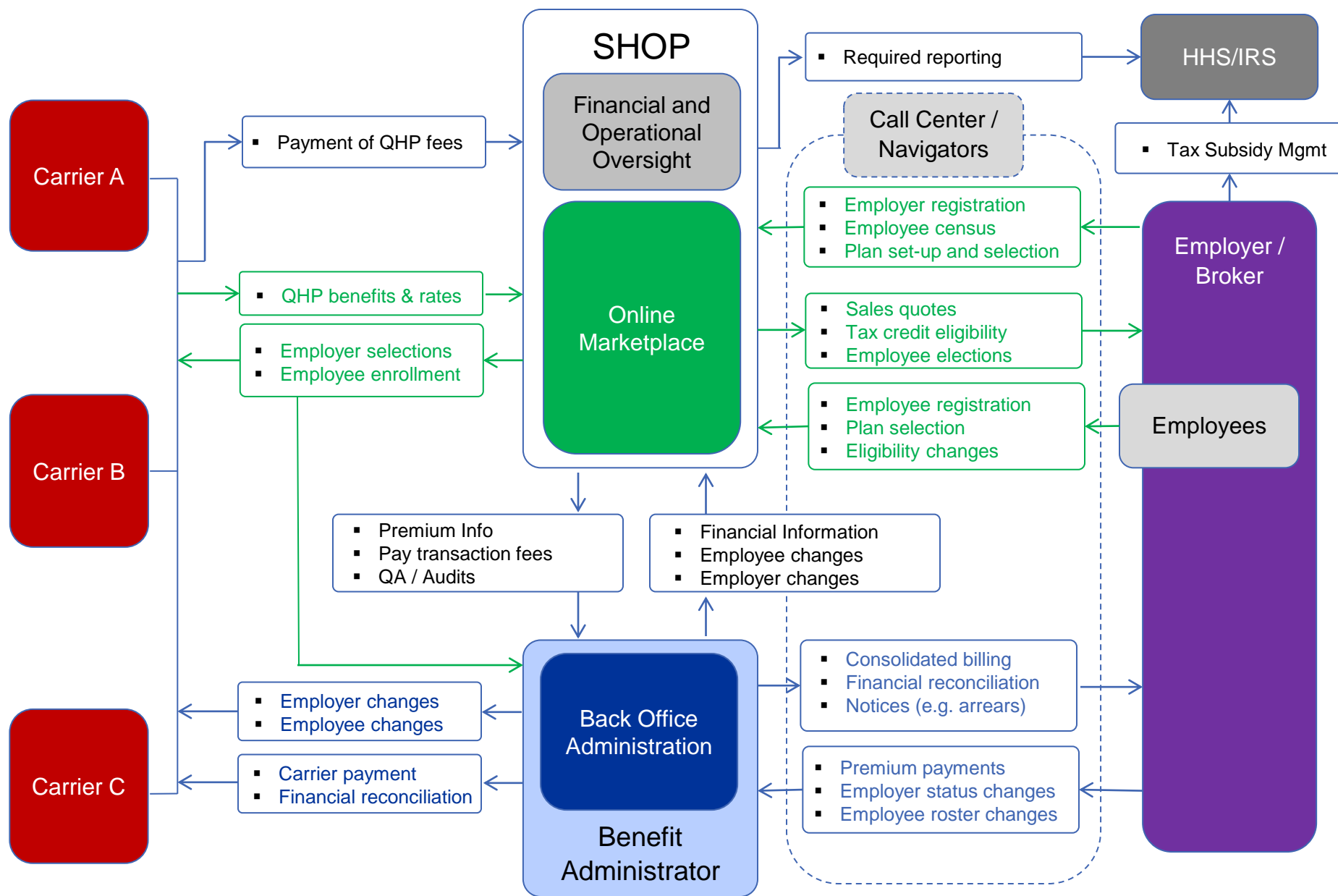
# Option 2A: Outsource SHOP Functions to a Single Entity or Full Service Benefit Administrator



# Option 2B: Outsource SHOP Functions to Multiple Entities or Full Service Benefit Administrators



# Option 3A: Outsource Back Office Administration to a Single Entity or Full Service Benefit Administrator



# Option 3B: Outsource Back Office Administration to Multiple Full Service Benefit Administrators

